

Quarterly Investment Report
Account No. 1420

December 31, 2008

State of Montana Public Employee Deferred Comp Plan

A company of **Allianz** 
Global Investors

P I M C O

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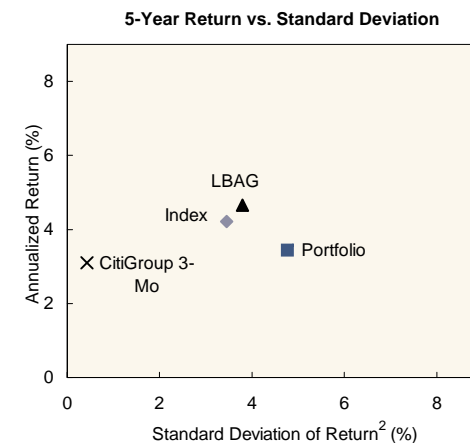
State of Montana Public Employee Deferred Comp Plan

Market Commentary	Market Outlook
<ul style="list-style-type: none"> Interest rates continued to fall in the fourth quarter as the global recession deepened, capping the most tumultuous year in financial markets since World War II The 10-year Treasury bond yield ended the year at 2.22 percent, near a record low Treasuries outperformed other fixed income sectors by a wide margin during the fourth quarter and for all of 2008 as investors sought refuge from financial market turmoil 	<ul style="list-style-type: none"> In 2009 PIMCO expects the pressures of global deleveraging to drive developed economies into one of the most severe recessions since World War II Signs that government policy responses to the crisis are gaining traction will likely come first from the revival of risk appetites in financial markets Assets with relatively high yields that are likely to benefit from government policy support should fare well in 2009
Portfolio Recap	Portfolio Strategy
<ul style="list-style-type: none"> Your portfolio underperformed its benchmark for the quarter and the year PIMCO maintained a defensive, high quality emphasis in 2008 to mitigate unprecedented market volatility, which magnified the impact of even small non-Treasury positions The following strategies helped fourth quarter returns: <ul style="list-style-type: none"> An overweight to bonds of financial companies, which benefitted from government policy support The following strategies were negative for quarterly returns: <ul style="list-style-type: none"> An underweight to duration for most of the quarter as yields fell Holdings of Agency mortgage pass-throughs, PIMCO's largest sector overweight, as even these high quality bonds were adversely affected by global deleveraging Holdings of upper tier non-Agency mortgages and other asset-backed securities, which reacted negatively to the Treasury's refocusing of the Troubled Asset Relief Program (TARP) away from direct mortgage investments Modest holdings of municipal bonds as municipal yield ratios versus Treasuries widened to historic levels 	<ul style="list-style-type: none"> PIMCO will focus less on interest rate strategies and more on high quality assets that offer attractive yield premiums Target near-index duration as interest rates are unlikely to fall much from current low levels Look to decrease exposure to strategies that may gain from U.S. yield curve steepening Retain emphasis on Agency mortgage pass-throughs; these bonds currently offer yields well above Treasuries but with similar credit quality in light of expected government support Emphasize debt securities of financial institutions that are supported either by TARP capital, FDIC guarantees or access to the Federal Reserve's liquidity facilities Look to own real return bonds, which typically offer an explicit government guarantee and where valuations reflect unrealistically low expectations of long run inflation Plan to hold high quality municipal bonds, especially longer maturities, which present minimal default risk and offer historically attractive yields compared to taxable bonds Continue to own upper tier non-Agency mortgages and asset-backed bonds that offer compelling yields Retain focus on cash, collateral and counterparty risk management as the credit crisis persists

Summary of Performance Data and Portfolio Statistics

State of Montana Public Employee Deferred Comp Plan

Performance Periods Ended 12/31/2008	Since 12/31/2001	5 yrs	3 yrs	1 yr	6 mos	3 mos
Total Portfolio¹						
Before Fees (%)	4.43	3.44	3.88	-2.42	-3.95	-0.39
Barclays Capital Intermediate Government/Credit Index (%) ²	5.01	4.21	5.51	5.08	3.60	4.84



Summary Information	9/30/2008	12/31/2008
Total Market Value (USD in millions)	177.7	179.6
Quarterly Contributions (USD in millions)	2.1	2.6
Estimated Annual Income (USD in millions)	9.8	8.2
Estimated Yield to Maturity (%)	5.6	5.1
Effective Duration (yrs)	4.0	3.5
Benchmark Duration (yrs)	3.8	3.8
Effective Maturity (yrs)	1.4	3.3
Average Quality	AA+	AA
Average Coupon (%)	4.7	4.0
Net Currency Exposure (%)	0.5	0.3
Tracking Error (5 yrs, %) ^{4*}	1.4	3.1
Information Ratio (5 yrs) ^{4*}	0.3	-0.2

* See example of tracking error / information ratio on footnote page of the Appendix.

See footnotes in Appendix.

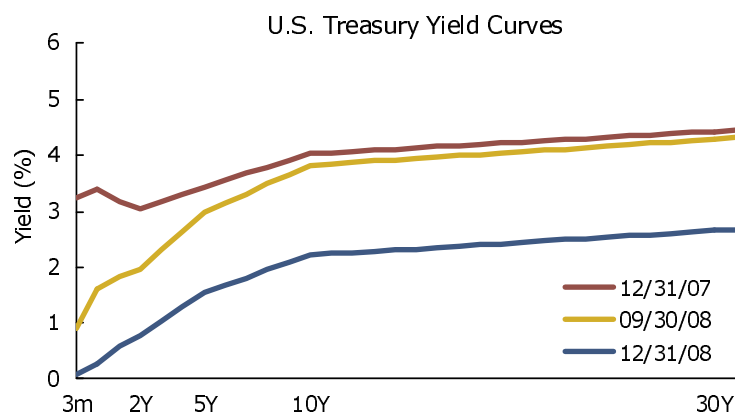
Sector Allocation	% of Market Value		% of Duration	
	9/30/2008	12/31/2008	9/30/2008	12/31/2008
Government/Agency	30	56	-36	-6
Mortgage	49	2	45	3
Invest. Grade Credit	11	26	51	76
High Yield Credit	2	2	2	1
Non U.S. Developed	0	0	0	0
Emerging Markets	3	2	2	1
Municipal/Other	3	4	9	11
Net Cash Equivalents: ³	2	8	27	14
Commercial Paper / STIF	17	12	2	1
ST Government/Agency	11	3	2	0
ST Mortgage	6	24	1	4
ST Credit	12	10	0	0
U.S. Money Market Futures/Options	84	47	22	14
Non-U.S. Money Market Futures	0	0	0	0
Other	-5	6	0	-5
Less: Liabilities	-123	-94	0	0
Total	100	100	100	100

Falling Rates, Deepening Recession Cap Tumultuous 2008

Interest rates continued to fall in the fourth quarter as the global recession deepened, capping the most tumultuous year in financial markets since World War II. Massive deleveraging originating in the subprime debacle shook the global financial system in 2008 and produced a credit contraction that continues to roil markets and economies worldwide.

Yields on the shortest maturity Treasuries plunged more than 300 basis points during 2008, ending the year close to zero. Yields on Treasury notes and bonds fell as much as 228 basis points, amid a stampede by investors to liquidity and safety. Risk appetites weakened substantially as the credit crisis reinforced expectations of a prolonged global recession and disinflation. The benchmark 10-year Treasury bond yielded only 2.22 percent at the end of the year, near a record low and 161 basis points lower than at the beginning of the fourth quarter.

While the Treasury yield curve steepened for the full year, it flattened during the fourth quarter, in part a reflection of worries about the emerging risk of deflation after consumer prices fell in November. The following graph depicts recent movements in the Treasury yield curve:



SOURCE: Bloomberg Financial Markets

Besides the reduction in the inflation premium for longer maturity yields, another reason for the flatter yield curve was anticipation that the Federal Reserve might buy longer dated Treasury securities to lower consumer and corporate borrowing costs. After cutting the federal funds rate to as low as zero for the first time in December, the central bank signaled that conventional monetary policy would not suffice to arrest the economic crisis.

The Fed said that it would “employ all available tools” to promote the resumption of growth, which could include buying Treasuries as well as other riskier assets. The Fed already announced a plan to lower mortgage rates by buying bonds issued by Fannie Mae and Freddie Mac as well as mortgage-backed securities backed by these agencies. It is supporting the credit card, student loan and commercial paper markets, as well as money market funds.

The Fed’s unconventional policy moves reflected the seriousness of the economic downturn. Weakness in the U.S. residential property market, which lies at the heart of the economy’s troubles, showed no sign of abating as the year closed. A 20-city index of U.S. home prices declined at the fastest pace on record in October. As falling property values eroded household wealth, a key index of consumer confidence plunged to a record low, raising the risk that consumer spending will continue weakening well into the New Year.

Treasuries Outperform Amid Financial Market Turmoil

Treasuries outperformed other fixed income sectors by a wide margin during the fourth quarter and for all of 2008 as investors sought refuge from financial market turmoil. The Barclays Capital U.S. Aggregate Index, a widely used index of U.S. high-grade bonds that includes Treasuries, gained 4.58 percent during the quarter and 5.24 percent for the year. The following is a summary of fixed income sector performance:

- Mortgage-backed securities (MBS) underperformed Treasuries on a like-duration basis for the quarter and the year. Underperformance in the final quarter was driven by bank selling that more than offset efforts to support the agency mortgage market by the U.S. Treasury. Non-agency mortgages and other asset-backed bonds in particular suffered in the second half of November as the refocusing of the Troubled Asset Relief Program (TARP) away from direct investment in mortgages withdrew an important source of support against the supply overhang in the market. In December mortgages recouped some of the ground lost earlier in the quarter amid continued indications of government policy support designed to drive down mortgage rates.
- Corporate bonds continued to lag Treasuries in the fourth quarter and trailed by a huge margin for all of 2008. Credit premiums soared in both the investment grade and high yield segments of the market as investors fled to the greater safety of Treasuries. However, as in the mortgage market, both investment grade and high yield corporates recovered somewhat in December. Hard hit finance/insurance company credits benefitted from renewed investor interest stemming from historically attractive credit premiums and substantial government support.
- Municipal bonds had a challenging quarter and full year as liquidity dried up amid investors' flight to Treasuries. The upheaval in the investment banking industry meant that balance sheet capacity in the municipal dealer community contracted. For those with cash to commit, valuations in the municipal sector became very compelling.
- Treasury Inflation Protected Securities (TIPS) lagged their nominal Treasury counterparts for the quarter and the year. The main reason was the massive flight toward the high quality and liquidity of nominal Treasuries. In addition, investors shunned TIPS on the assumption that inflation pressure would be muted as the global economy slowed.

Market expectations of future inflation, measured by the difference between nominal and real yields of similar maturity, plunged to only around 20 basis points by year end for intermediate (10-year) TIPS.

- Emerging market (EM) bonds posted negative returns during the fourth quarter and full year in the face of heightened global risk aversion and worsening financial conditions in the U.S. Currencies of many major EM countries fell versus the U.S. dollar during these periods, which meant that local currency denominated EM bonds fared poorly along with their dollar denominated counterparts.
- Government bonds of developed economies posted positive returns for both the fourth quarter and the full year amid heightened global risk aversion. U.S. Treasuries outpaced most of their counterparts for both these periods as Treasuries remained the most favored asset class for investors looking to reduce risk in their portfolios.

Global Deleveraging Likely to Lead to Worldwide Downturn

PIMCO expects pressures of global deleveraging to drive developed economies into one of the most severe recessions since World War II in 2009. Conditions should improve by 2010 as policy responses in the U.S. and elsewhere gain traction. Recovery of risk appetites in financial markets will be a leading indicator for recovery. A global depression, while possible, is a low probability outcome that policymakers will exhaust all realistic options to avoid.

- **Financial Markets Likely to Recover Before Broader Economy** – Signs that policies such as Federal Reserve liquidity injections and government support for the financial sector are gaining traction will likely come first from revival of risk appetites in financial markets. Valuations of many assets have fallen to compelling levels amid forced selling by over-levered investors. Moreover, a portion of the downside will now be covered by the government for investments in industries such as financial services, housing and potentially autos.
- **Support for Financial Institutions** – In the U.S. and elsewhere the response to institutional risks posed by deleveraging has been assumption by governments of assets from troubled private banking sectors, in what amounts to creation of a government-sponsored private banking system. Establishment by the U.S. Treasury of a lending facility for asset-backed securities (auto loans, student loans and credit cards) is the latest example.
- **Support for the Consumer** – Besides the institutional risks posed by deleveraging, the U.S. and other economies face the potential for a sharp reduction in consumer spending. Plans for substantial fiscal stimulus in the U.S., China and elsewhere should mitigate this risk and help prevent a collapse in consumption.
- **Europe, the U.K. and Japan Also in Recession** – Investment and exports were the main drivers of the Eurozone's recent growth, but final demand in Europe will not be insulated from the global credit crunch. The U.K. is even more vulnerable than Europe because of its higher consumer debt and the potential for a major real estate correction. The global financial crisis hit Japan through the rally in the yen, which hurt exports, as well as a fall in the Japanese stock market. With external demand the only potential growth engine, Japan's recession should continue through 2009.
- **Headwinds for Emerging Economies** – Major emerging economies such as Brazil, Mexico and Russia are not expected to contract but they will face strong headwinds as their exports to developed countries slow and credit markets remain restrictive. Weaker external demand will also help cool China's rapid expansion, though the Chinese government's plan for massive fiscal stimulus indicates that it will do what is necessary to prop up domestic demand.
- **Inflation Subdued Over Cyclical Timeframe** – Large and growing excess capacity as the economy weakens will fuel disinflation and may even create deflation for a time over the next year. While the Fed has injected huge levels of liquidity into the financial system, transmission of these reserves out into the broader economy has been constrained by strong demand for cash among financial institutions and consumers. Cash hoarding should help keep inflation subdued over a cyclical timeframe.

Focus on Assets with Attractive Yields and Policy Support

As the global economy weakens into 2009, PIMCO will place less emphasis on interest rate strategies and more on high grade sectors/securities that offer unusually attractive valuations after the massive selling of the last several months.

PIMCO's approach over the next year will be to avoid assets such as Treasuries that have benefitted from the flight to liquidity associated with global deleveraging. Treasuries are now overvalued. We will seek to own assets that have been victims of the economic crisis but that can be expected to benefit from policy support. These assets include high quality mortgage-backed securities, bonds of financial companies, TIPS and municipal bonds. We will also shun assets that have been victims of the crisis but have no policy support, such as high yield and all but the highest quality emerging market bonds.

- **Interest Rate Exposures** - PIMCO will target duration close to neutral with respect to the benchmark as interest rates are unlikely to fall much from current low levels. We will begin to lighten our exposure to strategies that gain from yield curve steepening, focusing first on trimming such positions in the U.S. and then on the U.K., Europe and Australia as monetary conditions in these economies ease.
- **Sector Exposures** - We will retain a substantial overweight to Agency mortgage pass-throughs, which offer yields well above Treasuries. Their credit quality is close to that of Treasuries in light of expected government support associated with the conservatorship of Fannie Mae and Freddie Mac. Another major emphasis will be debt securities of financial institutions that are supported either by TARP capital, FDIC guarantees or access to the Federal Reserve's liquidity facilities.
- **Tactical Allocations** - Assets that are relatively senior in the capital structure, such as TIPS and municipal bonds, represent prudent allocations at this stage in the economic cycle. TIPS offer an explicit government guarantee and relatively high real yields. Municipal bonds are priced at historically attractive yields versus taxable bonds with generally high credit quality.

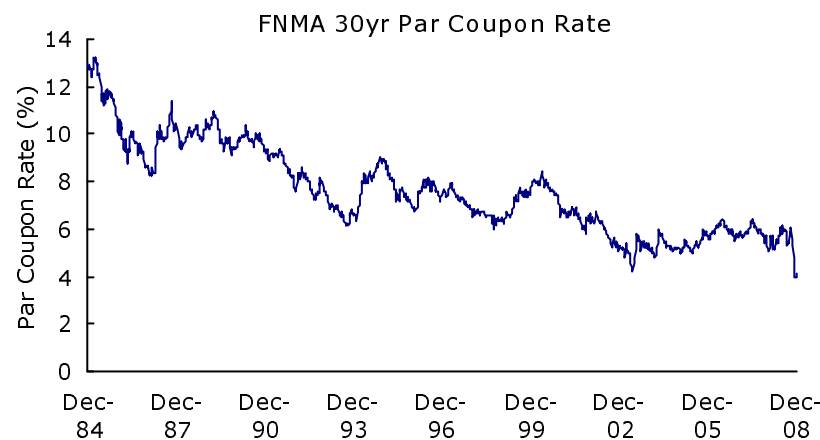
PIMCO is not ready to venture into high yield corporate bonds. While these assets offer seemingly compelling valuations, their credit premiums could widen further as defaults surge amid the worldwide economic slowdown. With respect to emerging markets, we will look to add attractively priced high quality credits such as Brazil and Mexico to our modest EM allocation as the credit recovery process continues.
- **Currency Exposure** – PIMCO does not have strong conviction about the U.S. dollar over the cyclical horizon, so there will be minimal currency exposure in portfolios.
- **Portfolio Structure** – Given the risks posed by financial market volatility and uncertainty, we will structure portfolios around the relatively small number of themes described in the foregoing.

Market Commentary

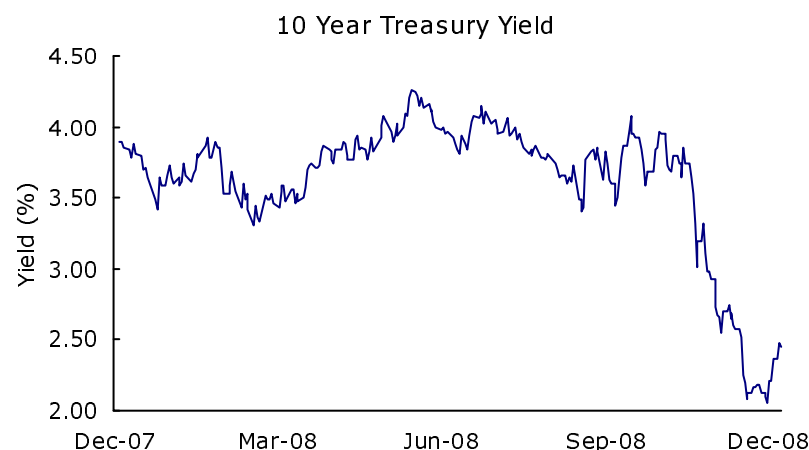
- Agency mortgage-backed securities underperformed like-duration Treasuries for the quarter and for the year in the face of massive global deleveraging
- Agency MBS performance improved in November and again in December, spurred by the Federal Reserve's announcement to purchase up to \$500 billion of fixed-rate Agency MBS by June 2009
- Rates on par 30-year Agency mortgages fell to their lowest levels ever in the quarter, breaking through previous 2003 lows to end the year near 4 percent (see graph on right)
- Commercial mortgage-backed securities also experienced significant price volatility in the quarter as continued financial system deleveraging pushed prices on AAA securities to all time lows
- On November 12th Treasury Secretary Paulson announced the redirection of funds in TARP (Troubled Asset Relief Program) away from the direct purchases of distressed mortgages, removing an important pillar of price support for Non-Agency MBS

Market Outlook

- Government support for the mortgage Agencies along with the \$500 billion MBS purchase plan are expected to lower primary and secondary mortgage rates as well as compress spreads on Agency MBS. We expect government policy efforts to continue to be focused on the mortgage and housing markets and for Agency MBS to be primary beneficiaries of that support
- Agency MBS will continue to be the primary arena for mortgage financing as non-agency origination channels have been completely shut by the credit and housing crises



SOURCE: Bloomberg



SOURCE: JPMorgan

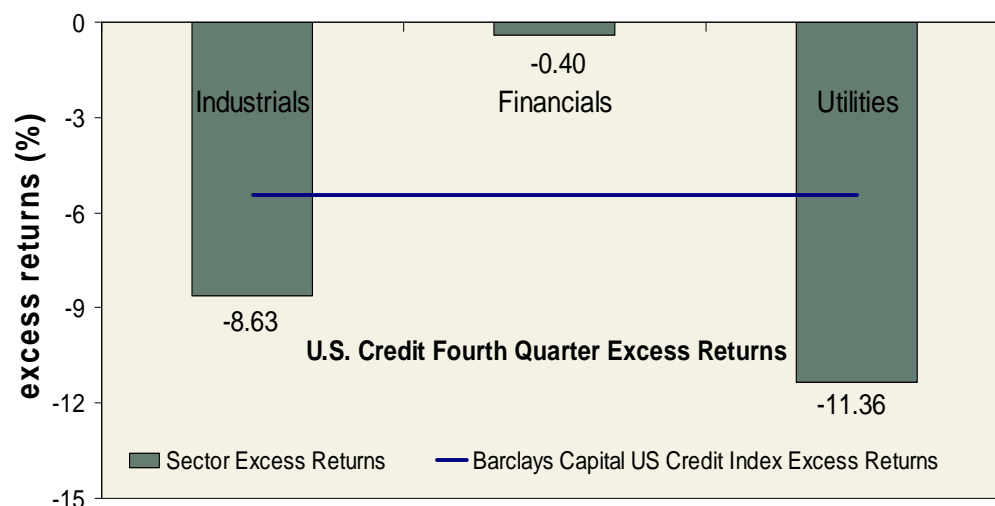
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Market Commentary

- Amid a continued flight to quality, investment grade credits underperformed like-duration Treasuries during the quarter. The Barclays Capital U.S. Credit Index posted an excess return of - 543 basis points for the quarter.*
- Fiscal policy initiatives contributed to relative stability in credit premiums of many financial institutions. Financials were the best performing sector of the investment grade market during the quarter. Within the Barclays Capital US Credit Index, brokerage bonds posted an excess return of 706 basis points versus like- duration U.S. Treasuries.
- Higher-quality investment grade credits, led by AAA-rated issues, outperformed all lower quality tiers for the period.

Market Outlook

- Government policy responses have been aimed at restoring health to systemically vital financial institutions. Our portfolio overweights reflect a thesis that any recovery in financial markets will begin with the institutions that provide credit to the broader market and economy. While a full recovery will likely take some time, current valuations can present a compelling opportunity with the appropriate investment horizon.
- We expect continued weakness in housing markets and consumer spending to weigh on the fundamental health of many sectors of the economy. The labor market is likely to continue softening, which could further pressure consumer spending and corporate earnings. As a result, we will likely continue to underweight retailers, other consumer cyclicals and sectors levered to a weakening economy
- While we remain cautious on the earnings power for many industries, we continue to find select relative opportunities in defensive industries with high quality asset coverage. These include pipeline and telecommunications credits



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* U.S. Credit vs. Treasuries Fourth Quarter Excess Returns Graph:

- Graph data represents the performance of the Barclays Capital US Credit Index. The Barclays Capital U.S Treasury Index represents the performance of Treasuries
- The corporate sectors shown are not equally weighted in the index but instead are market weighted.
- The sectors shown represent the broad components of the index.
- Excess Return is a duration-adjusted measure of performance relative to a term structure-matched position in Treasuries using key rate durations. It measures the amount by which the return on an investment is greater than the risk free rate of return.

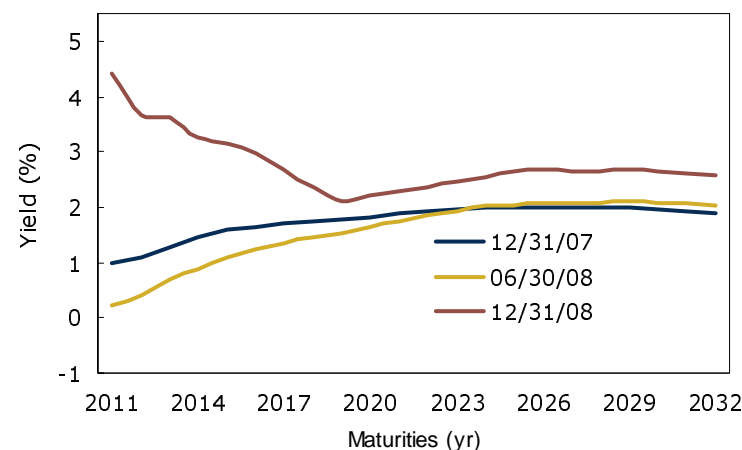
Source: Barclays Capital

Market Commentary

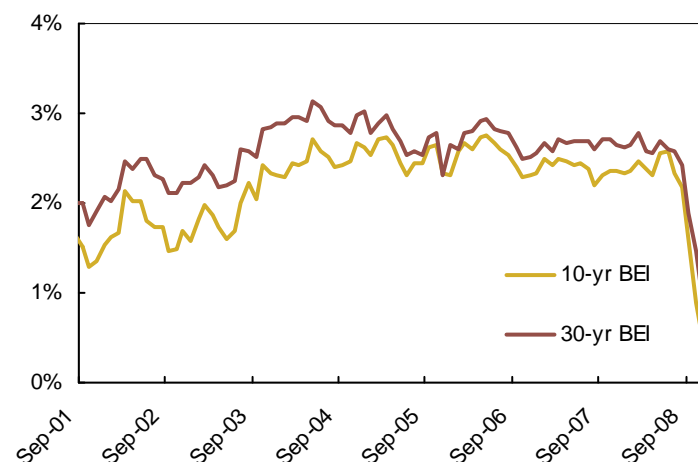
- Treasury Inflation Protected Securities (TIPS) returns were negative in the fourth quarter and for all of 2008 as real interest rates rose amid the global deleveraging process that weighed on most asset classes. The Barclays Capital U.S. TIPS Index returned -3.48 percent in the fourth quarter and -2.35 percent for the full year
- Real yields rose dramatically for shorter maturities in the fourth quarter. These issues sold off amid expectations for rapid disinflation from falling commodity prices. Real yields on long-dated issues declined as markets priced in longer term inflationary pressures from current massive fiscal and monetary stimulus. The TIPS market remained relatively illiquid, which exaggerated the movement in yields, particularly for shorter maturities. Recent monthly negative inflation prints added to TIPS losses
- Inflation expectations, measured by the difference between nominal and real yields of similar maturity and known as breakeven inflation, continued their descent. Illiquid trading conditions and the massive flight to more liquid nominal U.S. Treasuries pushed breakevens to levels indicating deflation over 10 years, a highly unlikely scenario. Treasuries continued to outperform TIPS as a result

Market Outlook

- The continued decline in TIPS has made valuations attractive both on an absolute and relative value basis (versus nominal Treasuries). Real yields above 2 percent and breakevens indicating deflation of near 3 percent for the next five years are unlikely to be sustainable. Growth is expected to contract in 2009, but government stimulus may reflate the economy in 2010 and beyond
- PIMCO's secular outlook for developed economies, including the U.S., paints a supportive picture for TIPS. The outlook contains stagflation-like implications where low growth rates continue in developed economies while inflationary pressures build, owing to stimulative government policy, growth in developing economies, secular commodity infrastructure constraints and a longer term weaker dollar caused by the twin U.S. deficits

U.S. TIPS Yield Curve

SOURCE: Barclays Capital

10-year and 30-year Breakeven Inflation (BEI)

SOURCE: Barclays Capital

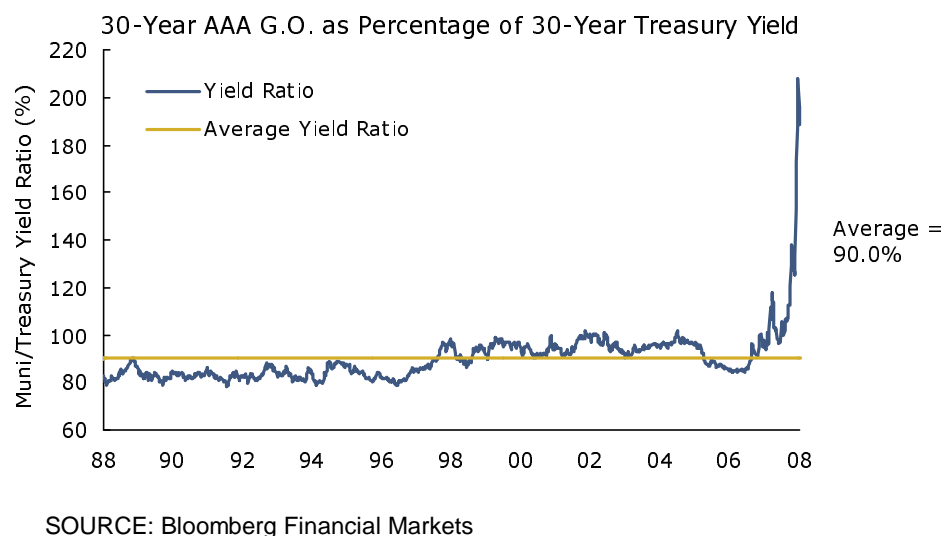
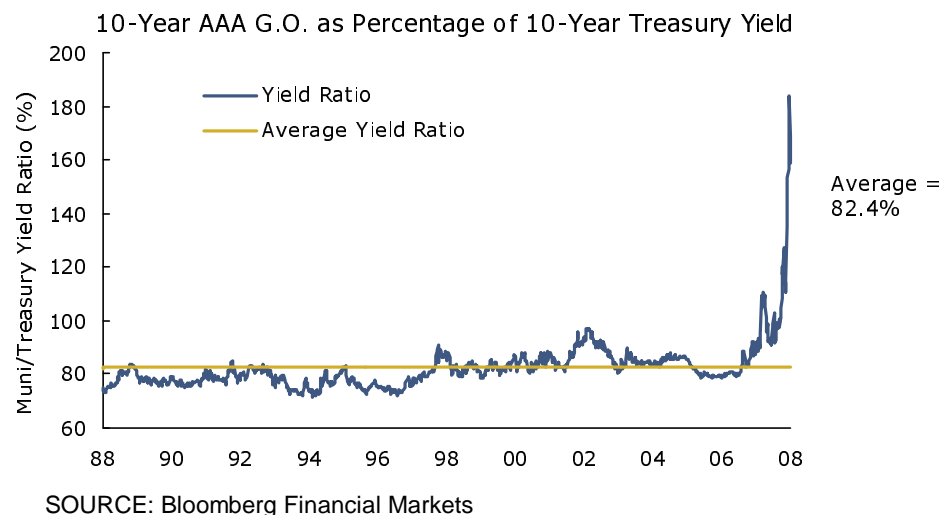
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Market Commentary

- The municipal yield curve continued to steepen in the fourth quarter. Retail investor demand for municipals with maturities 10 years and shorter helped push down two-year yields by 63 basis points, while 5-year and 10-year yields fell 84 and 70 basis points, respectively. Twenty and 30-year yields decreased but not as much, dropping by 33 and 23 basis points, as measured by the MMD AAA GO scale. Municipals significantly underperformed Treasuries during the quarter as the municipal/Treasury yield ratio moved to unprecedented levels, ending the month with the 10-year ratio at 159 percent
- The Barclays Capital Municipal Bond Index returned 0.74 percent for the quarter, underperforming the broad bond market, as represented by the Barclays Capital Aggregate Index, by 384 basis points. The Barclays Capital Long Municipal Bond Index returned -5.28 percent for the quarter, underperforming the Barclays Capital Long U.S. Treasury Index by 2,394 basis points. Yields on 30-year municipals closed the quarter at 189 percent of 30-year Treasuries, crossing 200% in the month of December.

Market Outlook

- The municipal market began to see early stages of healing near quarter end. Investors were still very selective, focusing on the higher quality credits. The potential for near term government support should advance the healing process.
- Due to continued market turmoil, many municipalities were not able to access the bond market. This pent up supply is expected in the first quarter. Investor appetite for the supply will be a key theme in early 2009.



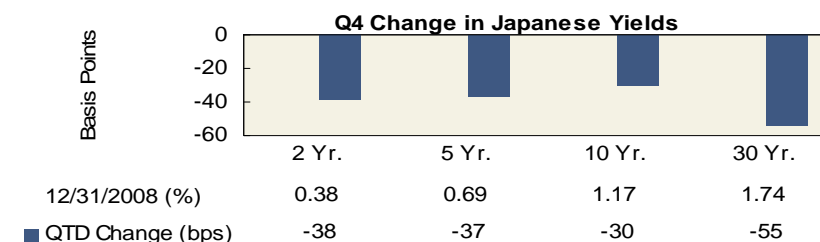
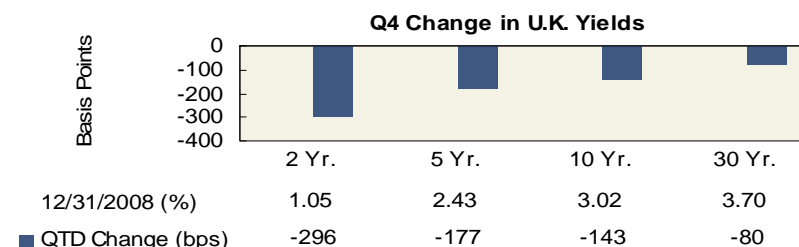
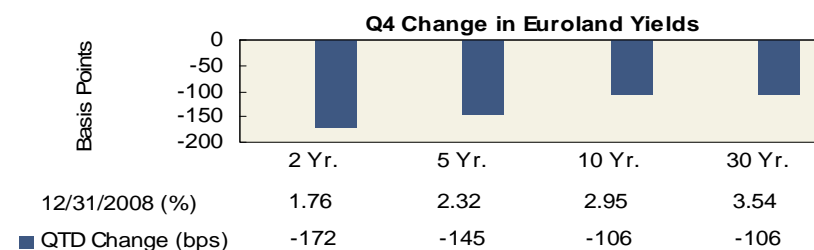
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Market Commentary

- The fourth quarter saw the credit crisis spread from the finance realm to the real economy and from the U.S. around the globe
- Non-U.S. government bond yields fell sharply in all major markets as policy makers slashed interest rates and investors sought shelter from the financial crisis
- The Japanese yen rallied in the face of continued market deleveraging, but the British pound, Australian dollar and Canadian dollar all declined owing to each country's weakening economy

Market Outlook

- PIMCO expects developed countries to face continued weakness. Most G10 countries are either already in or quickly headed toward recession, from which they are not likely to emerge until 2010
- Monetary policy easing is likely to continue in the U.K., Europe and Australia in early 2009; rates in those countries should remain low for an extended period of time
- In addition to rate cuts, global policymakers will increasingly consider other stimulus measures to limit further economic deterioration



Currency Rates and Returns

	12/31	% Change	
	Spot	Q4	YTD
Euro	1.397	-0.9	-4.2
Yen	90.64	+17.1	+23.3
Australian \$	0.703	-11.3	-19.7
Canadian \$	1.219	-12.7	-18.1
British Pound	1.459	-18.0	-26.5

SOURCE: Bloomberg

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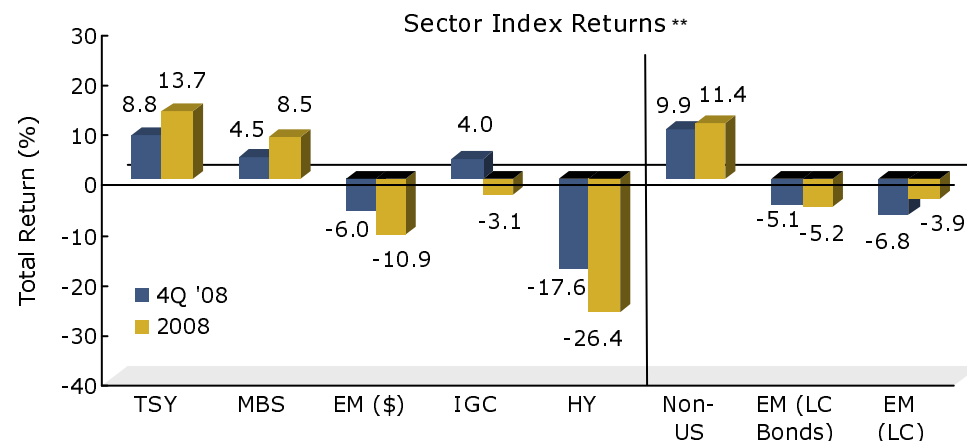
Market Commentary

- As the global recession deepened during the fourth quarter, emerging market bonds suffered along with other asset classes in the face of heightened risk aversion
- Amid the flight to quality, 10-year U.S. Treasury yields decreased by 162 basis points and closed the quarter at 2.21 percent. EM spreads* widened by 282 basis points during the quarter to finish the period at 742 basis points over Treasuries on average, as seen in the graph on the bottom right. The EMBIG Index returned -6.01 percent for the quarter
- EM currencies weakened versus the U.S. dollar in the fourth quarter. The JPMorgan ELMI+ Index, denominated in local EM currencies, returned -6.83 percent for the quarter

Market Outlook

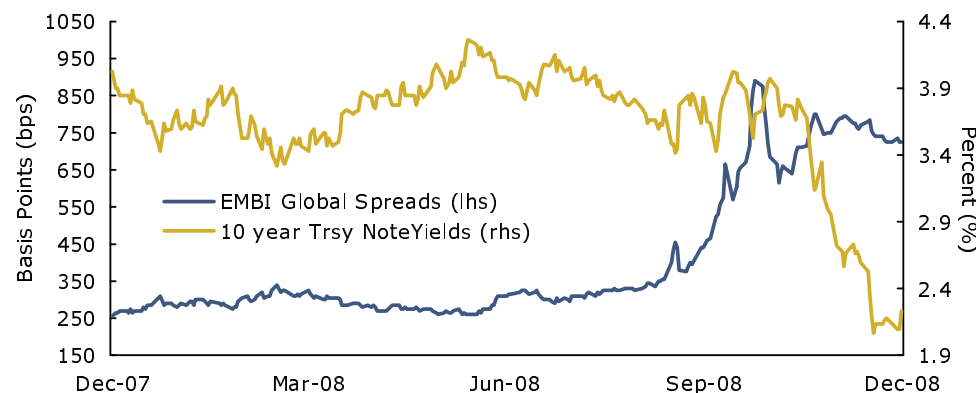
- PIMCO expects a high degree of differentiation in performance across EM countries. Economies that entered this financial crisis in strong economic shape and with high levels of foreign reserves have the strongest ability to implement domestic stimulus measures and access external support. These economies are likely to best withstand the current period of market volatility
- Unlike in prior dislocations where fixed currencies were vulnerable, floating exchange rates should be able to play more of a role as a shock absorber, minimizing the pass through impacts of global deleveraging to the domestic EM economies

*EMBIG spreads are shown against a market value weighted average of the spread of every individual issue within the index relative to the duration neutral Treasury for each respective issue in the index.



**Trsy: Barclays Treasury Index, U.S. HY: Merrill Lynch High Yield, U.S. IG: Barclays Credit Investment grade, Non-U.S.: JPM GBI ex U.S. Index, EMBIG: JPMEBIG Index, ELMI+: JPM ELMI+ Index, GBI EM: JPM GBI EM Global Diversified Index

SOURCE: JPMorgan



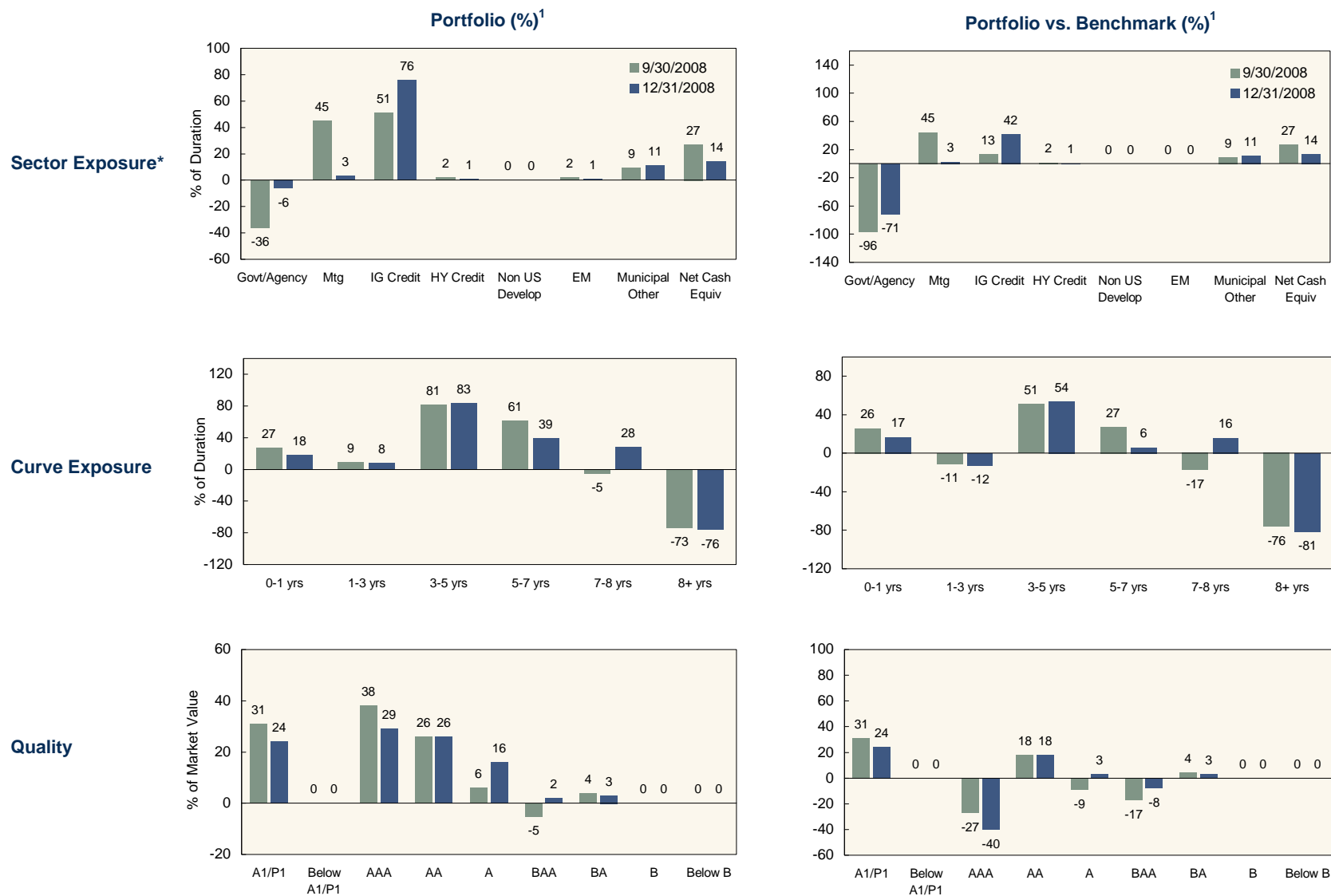
SOURCE: JPMorgan, Bloomberg

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Portfolio Characteristics and Benchmark Variance

State of Montana Public Employee Deferred Comp Plan



See footnotes in Appendix.

* Net cash equivalents include U.S. and non-U.S. money market futures, where permitted. See Sector Allocation on Summary of Performance Data and Portfolio Statistics Page.

Direct Country and Currency Exposure

State of Montana Public Employee Deferred Comp Plan

Country Exposure (by issue currency)¹

	Portfolio 09/30/2008				Portfolio 12/31/2008			
	Market Value Weighted (%)				Market Value Weighted (%)			
(by issue currency)	% of Duration	Bonds	Cash Equiv.	Currency Exposure ² (%)	% of Duration	Bonds	Cash Equiv.	Currency Exposure ² (%)
North America	100.0	98.0	124.1	0.0	100.0	92.0	101.9	0.0
United States	100.0	98.0	124.1	0.0	100.0	92.0	101.9	0.0
Europe - EMU	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
United Kingdom	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Europe - Non-EMU	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Japan	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Asia Pacific ex-Japan	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Singapore	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Emerging Markets	0.0	0.0	0.0	0.4	0.0	0.0	0.0	0.3
Brazil	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0
China	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Malaysia	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Mexico	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Philippines	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Poland	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Russia	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0
South Africa	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Turkey	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Liabilities ⁴	<u>0.0</u>	<u>0.0</u>	<u>-122.1</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>-93.9</u>	<u>0.0</u>
Total Direct Exposure	100.0	98.0	2.0	0.5	100.0	92.0	8.0	0.3

Small allocations may round to zero.

Includes currency exposure in Private Emerging Markets Local Currency Fund, if applicable. Excludes currency exposure in Private Emerging Markets Bond Fund

PIMCO Proprietary Portfolio Level Risk Measures

State of Montana Public Employee Deferred Comp Plan

Risk Measures (yrs)	9/30/2008	12/31/2008	Definitions of Risk Measures:
<u>Interest Rate Exposures:</u>			
Effective Duration			A portfolio's price sensitivity to changes in interest rates. An accurate predictor of price changes only for small, parallel shifts of the yield curve. For every 1 basis point fall (rise) in interest rates, a portfolio with duration of 1 year will rise (fall) in price by 1 bp.
Portfolio	4.0	3.5	
Benchmark	3.8	3.8	
Bull Market Duration			A portfolio's effective duration after a 50 bp decline in rates. The extent to which a portfolio's duration exceeds its bull market duration is a gauge of contraction risk.
Portfolio	3.5	3.4	
Benchmark	3.8	3.8	
Bear Market Duration			A portfolio's effective duration after a 50 bp rise in rates. The extent to which a portfolio's bear market duration exceeds its duration is a gauge of extension risk.
Portfolio	4.4	3.6	
Benchmark	3.8	3.8	
Total Curve Duration	1.9	1.9	A portfolio's price sensitivity relative to the benchmark to changes in the slope of the yield curve, measured between the 2-30 year Government yields, holding the 10-year yield constant. For every 1 bp of steepening (flattening), a portfolio with curve duration of 1 year will rise (fall) in price by 1 bp relative to the benchmark.
<u>Sector Exposures*:</u>			
Mortgage Spread Duration			The contribution of mortgages to spread duration. For every 1 bp of mortgage spread tightening (widening), a portfolio with mortgage spread duration of 1 year will rise (fall) in price by 1 bp.
Portfolio	2.7	1.0	
Benchmark	0.0	0.0	
Corporate Spread Duration			The contribution of corporate bonds to spread duration. For every 1 bp of corporate spread tightening (widening), a portfolio with corporate spread duration of 1 year will rise (fall) in price by 1 bp.
Portfolio	1.0	2.3	
Benchmark	1.4	1.4	
Emerging Markets Spread Duration			The contribution of emerging market bonds to spread duration. For every 1 bp of emerging market spread tightening (widening), a portfolio with an emerging market spread duration of 1 year will rise (fall) in price by 1 bp.
Portfolio	0.1	0.1	
Benchmark	0.1	0.1	
Swap Spread Duration			The contribution of swaps to spread duration. Includes the impact of non-swap instruments such as agencies that are sensitive to swap spreads. For every 1 bp of swap spread tightening (widening), a portfolio with swap spread duration of 1 year will rise (fall) in price by 1 bp. A negative swap spread duration indicates that the portfolio will benefit from widening swap spreads.
Portfolio	-0.2	-3.4	
Benchmark	0.7	0.7	

* As measured by spread duration, which represents a portfolio's price sensitivity to changes in spreads, or yield premiums, that affect the value of bonds that trade at a spread to Governments. These include mortgage-backed, corporate and emerging market bonds, as well as swaps.

Summary of Derivatives

State of Montana Public Employee Deferred Comp Plan

Derivatives ¹ (% of Duration)	9/30/2008	12/31/2008	Characteristics of Derivatives:	Control Measures
Government Futures	1.7	62.7	Used to adjust interest rate exposures and to replicate government bond positions. Frequently offers the opportunity to outperform government securities due to cheapness of futures contracts and active management of the liquid, short duration securities backing the futures.	Bond-equivalent exposure included in portfolio duration. Back long futures positions with high grade, liquid debt securities.
Other Futures	0.0	0.0	Includes municipal, mortgage-backed and interest rate swap futures.	See Government Futures.
Interest Rate Swaps	-26.9	-108.3	Includes swaps with duration greater than 1 year. Used to adjust interest rate and yield curve exposures and substitute for physical securities. Long swap positions ("receive fixed") increase exposure to long-term interest rates; short positions ("pay fixed") decrease exposure.	Bond-equivalent exposure included in portfolio duration. Back long swaps positions with high grade, liquid debt securities.
Credit Default Swaps*	-23.2	-13.1	Credit default swaps are used to manage credit exposure without buying or selling securities outright. Written CDS increase credit exposure ("selling protection"), obligating the portfolio to buy bonds from counterparties in the event of a default. Purchased CDS decrease exposure ("buying protection"), providing the right to "put" bonds to the counterparty in the event of a default.	Bond-equivalent exposure included in portfolio credit risk measures. Back long exposures with high grade, liquid debt securities. Continually monitor underlying credit exposure.
Written	18.7	18.2		
Purchased	-41.9	-31.2		
Options	0.2	0.0	Written options generate income in expected rate scenarios and may generate capital losses if unexpected interest rate environments are realized. Purchased options are used to manage interest rate and volatility exposures. Both written and purchased options will become worthless at expiration if the underlying instrument does not reach the strike price of the option.	Bond-equivalent exposure (weighted by probability of exercise) included in portfolio duration. Back underlying exposure with high grade, liquid debt securities.
Written	0.0	0.0		
Purchased	0.2	0.0		
Mortgage Derivatives	0.0	0.0	Used to manage portfolio duration and/or enhance yield. Includes securities determined by PIMCO to have potentially less stable duration characteristics, such as Interest Only strips (IOs), Principal Only strips (POs), Support Class CMOs and Inverse Floaters. Value will fluctuate as prepayment speeds respond to rising and falling interest rates.	Bond exposure included in portfolio duration, convexity, and prepayment risk measures. Use IO's and PO's in moderation and in an overall portfolio context.
Money Market Derivatives	24.2	9.3	Used to manage exposures at the short end of the yield curve and express PIMCO's expectations for future short-term rates. Includes swaps with duration of 1 year or less, and Eurodollar, Euribor and other futures based on short-term interest rates.	Bond-equivalent exposure included in portfolio duration. MM derivatives are not backed by other assets as they represent short-maturity exposures and have no deliverable at expiration.
Futures	22.0	13.7		
Interest Rate Swaps	2.1	-4.4		

* Credit default swaps are shown as percentage of market value to reflect potential default risk.

Summary of Performance Data and Portfolio Statistics

- 1 All time periods longer than one year are annualized and returns include reinvestment of dividends, income and capital gains, if any.
- 2 The benchmark is: The Barclays Capital Intermediate Government/Credit index is an unmanaged index of U.S. Government or Investment Grade Credit Securities having a maturity of at least 1 year and less than 10 years. It is not possible to invest directly in an unmanaged index. Prior to November 1st, 2008, this index was published by Lehman Brothers.
Other indices presented are: Citigroup 3 Month Treasury Bill Index ; Barclays Capital U.S. Aggregate Index
- 3 Net cash equivalents equal cash equivalents less the amount used to back liabilities such as futures, forwards and unsettled trades. Money Market Futures/Options include Eurodollar and Euribor futures that are based on short term interest rates and represent short maturity exposures. They are not backed by other assets and have no deliverable at expiration as they are cash settled. The notional amount of money market futures, captured in the column labeled "% of Market Value", is based on an annualized 3-month interest rate and follows the industry convention of dividing the notional amount by 4 to reflect the underlying 3-month rate exposure. Money market futures' contribution to overall portfolio duration is captured in the column labeled "% of Duration." Other includes repurchase agreements, short duration municipal bonds and accrued interest.
- 4 Tracking error, a measure of risk, is defined as the standard deviation of the portfolio's excess return vs. the benchmark expressed in percent. The information ratio is defined as the portfolio's excess return per unit of risk, or tracking error. For example, an information ratio of 1 means that a portfolio manager generates 100 basis points, or one percent of excess return for every 100 basis points of risk taken.

Portfolio Characteristics and Benchmark Variance

- 1 Market value data based on percentage of net asset value. Other includes Yankee/Euro bonds, convertibles and municipal bonds. Net cash equivalents equal cash equivalents less the amount used to back liabilities such as futures, forwards and unsettled trades.

The benchmark is: Barclays Capital Intermediate Government/Credit Index

Direct Country and Currency Exposure

- 1 Country exposures reflect the portfolio's effective exposure to non-U.S. markets, inclusive of forward settled holdings. Small allocations may round to zero.
- 2 Includes currency exposure due to non-U.S. holdings, hedging transactions and outright currency transactions. Positive numbers reflect long currency positions relative to base currency. Allocations may not add to totals due to rounding.
- 3 Other includes swaps and securities issued in euros by issuers outside of core Europe.
- 4 Includes liabilities associated with futures, forwards and unsettled trades.

Summary of Derivatives

- 1 This portfolio may use derivative instruments for hedging purposes or as part of its investment strategy. Use of these instruments may involve certain costs and risks such as liquidity risk, interest rate risk, market risk, credit risk, management risk and the risk that a portfolio could not close out a position when it would be most advantageous to do so. Portfolios investing in derivatives could lose more than the principal amount invested.

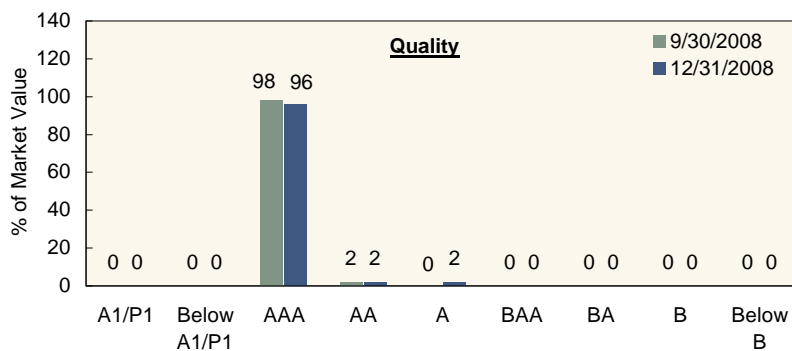
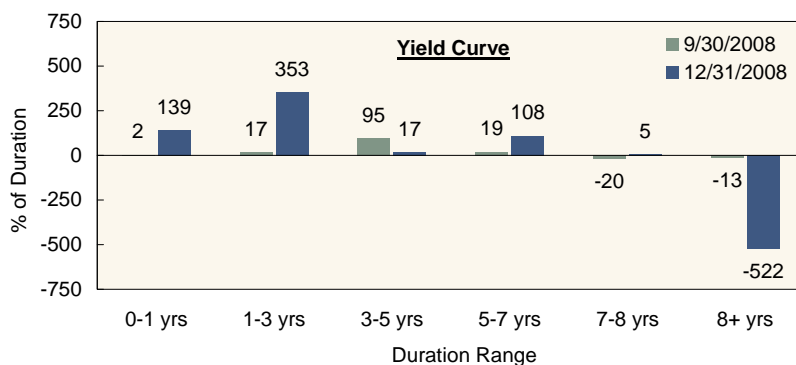
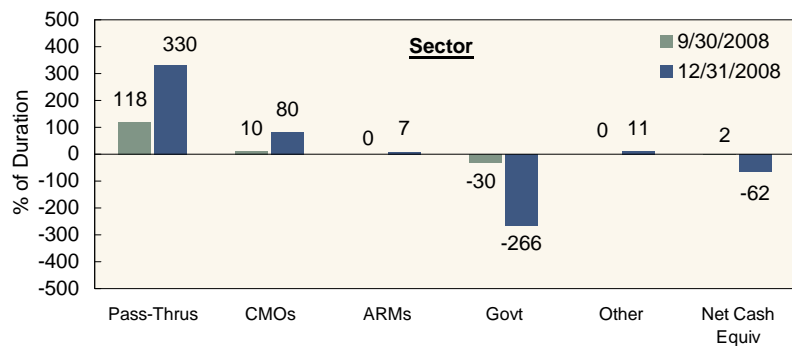
Additional Portfolio Information

PIMCO Private Mortgage Fund

State of Montana Public Employee Deferred Comp Plan

Summary Information	9/30/2008	12/31/2008
Portfolio Allocation		
Amount (\$MM)	2.5	0.0
Percent of Total Market Value (%)	1.4	0.0
Total Net Assets (\$MM)	14,429.4	11,251.9
Quarterly Fund Performance (%)	1.08	-1.45
Average Quality	AAA	AAA
Effective Duration (yrs)	4.0	0.5

Derivatives (% of Duration)	9/30/2008	12/31/2008
Government Futures	2.7	67.9
Money Market Futures	1.5	14.9
Credit Default Swaps ¹	1.9	-0.3
Written	2.4	2.0
Purchased	-0.5	-2.2
Options Premiums	0.0	-0.3
Written	-0.2	-3.5
Purchased	0.2	3.3
Mortgage Backed ²	0.0	0.0
Other ³	-30.5	-570.0



¹ As credit instruments, credit default swaps are shown as a percentage of market value.

² Securities determined by PIMCO to have potentially less stable duration characteristics, such as: IO & PO Strips, Support-class CMOs, and Inverse Floaters.

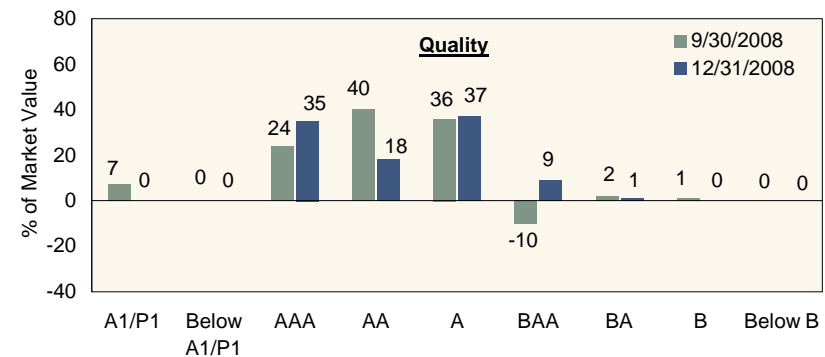
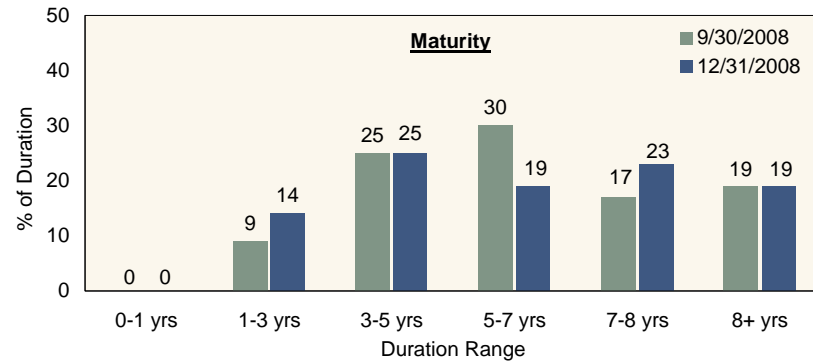
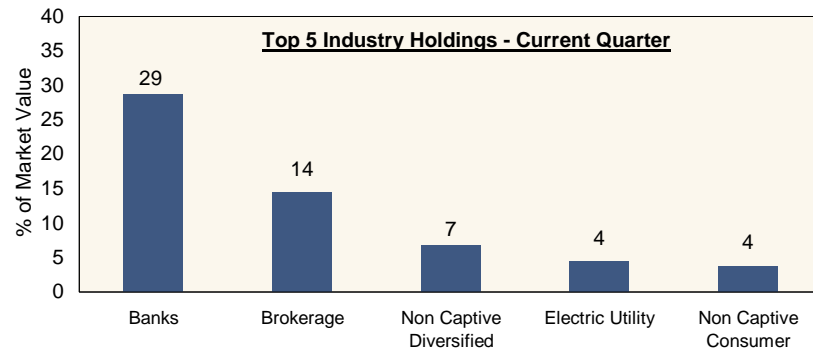
³ Category includes securities which derive their value from underlying interest rates, such as interest rate swaps, swap futures, credit spreads, and non-U.S. derivatives.

PIMCO Private Investment Grade Corporate Fund

State of Montana Public Employee Deferred Comp Plan

Summary Information	9/30/2008	12/31/2008
Portfolio Allocation		
Amount (\$MM)	0.0	7.4
Percent of Total Market Value (%)	0.0	4.1
Total Net Assets (\$MM)	3,869.2	4,812.8
Quarterly Fund Performance (%)	-14.07	7.04
Average Quality	AA	AA-
Effective Duration (yrs)	6.5	4.4

Derivatives (% of Duration)	9/30/2008	12/31/2008
Government Futures	10.4	0.0
Money Market Futures	0.0	0.0
Credit Default Swaps ¹	-6.4	10.5
Written	29.9	17.7
Purchased	-36.4	-7.2
Options Premiums	-0.4	-1.6
Written	-7.6	-13.0
Purchased	7.2	11.4
Mortgage Backed ²	0.0	0.0
Other ³	-1.9	-7.7



¹ As credit instruments, credit default swaps are shown as a percentage of market value.

² Securities determined by PIMCO to have potentially less stable duration characteristics, such as: IO & PO Strips, Support-class CMOs, and Inverse Floaters.

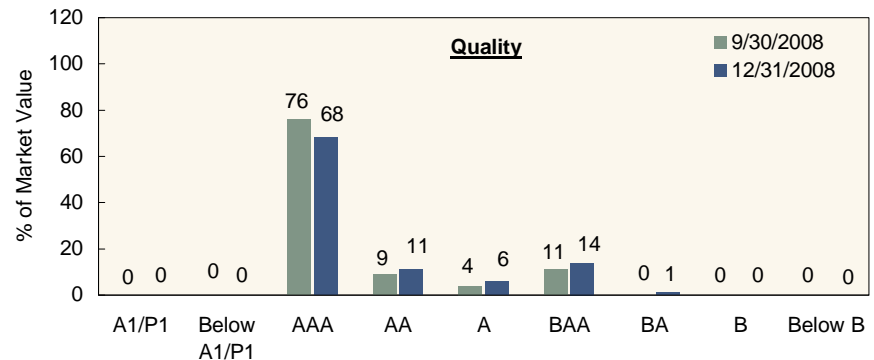
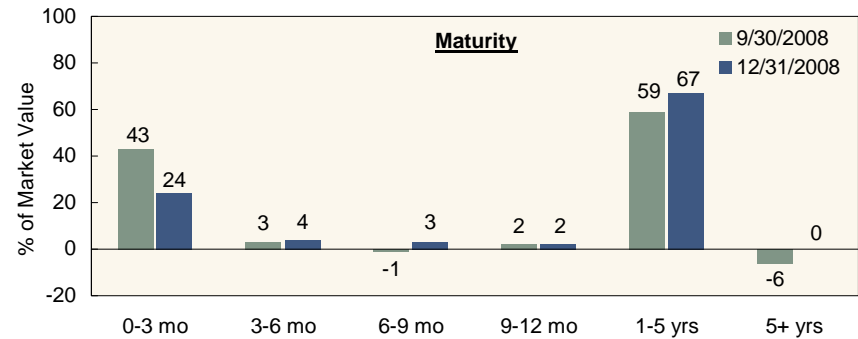
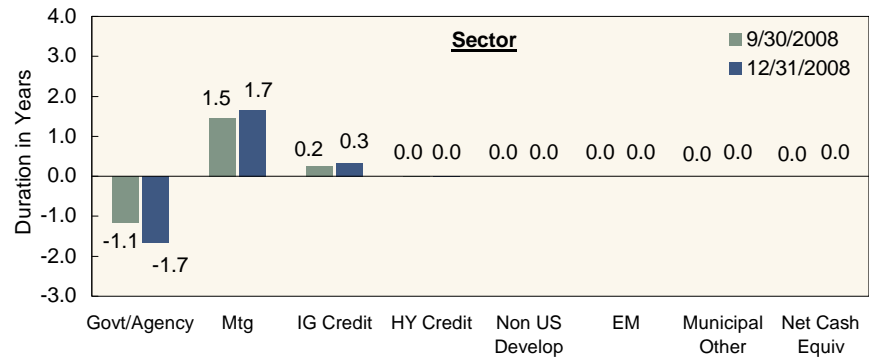
³ Category includes securities which derive their value from underlying interest rates, such as interest rate swaps, swap futures, credit spreads, and non-U.S. derivatives.

PIMCO Private Short Term Fund

State of Montana Public Employee Deferred Comp Plan

Summary Information	9/30/2008	12/31/2008
Portfolio Allocation		
Amount (\$MM)	21.2	18.9
Percent of Total Market Value (%)	12.0	10.5
Total Net Assets (\$MM)	2,736.5	1,761.4
Quarterly Fund Performance (%)	-3.98	-10.94
Average Quality	AA+	AA
Effective Duration (yrs)	0.6	0.3

Derivatives (Duration in Years)	9/30/2008	12/31/2008
Government Futures	0.0	0.0
Money Market Futures	0.0	0.0
Credit Default Swaps ¹	6.6	7.5
Written	12.6	16.0
Purchased	-6.0	-8.5
Options Premiums	0.0	-0.1
Written	-0.2	-0.4
Purchased	0.1	0.3
Mortgage Backed ²	0.0	0.0
Other ³	-0.2	-1.1



¹ As credit instruments, credit default swaps are shown as a percentage of market value.

² Securities determined by PIMCO to have potentially less stable duration characteristics, such as: IO & PO Strips, Support-class CMOs, and Inverse Floaters.

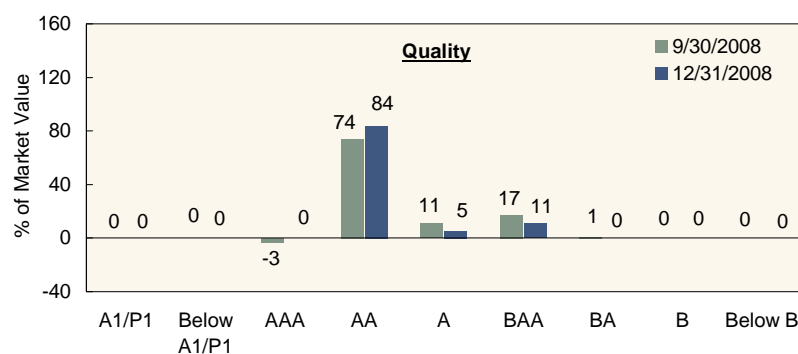
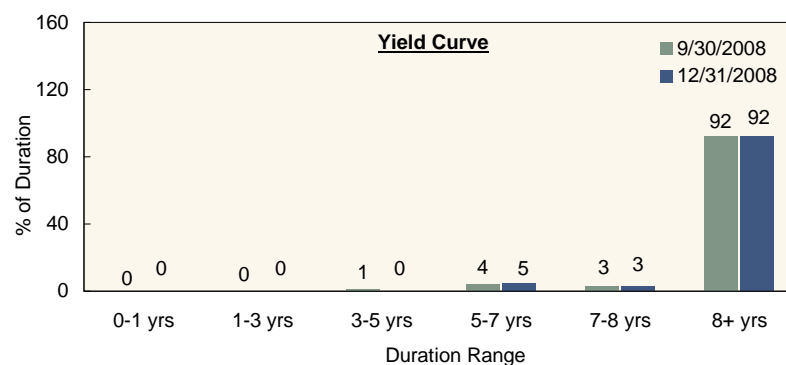
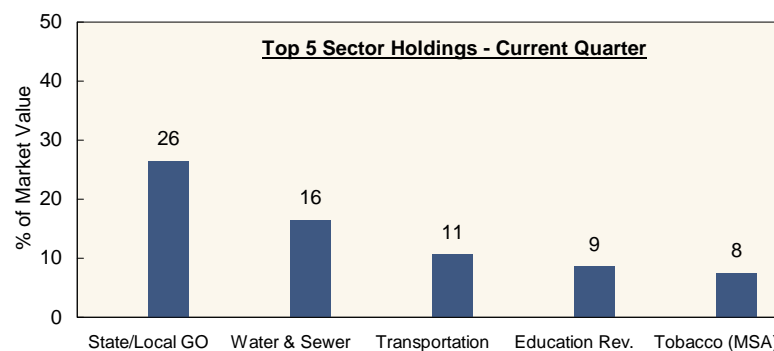
³ Category includes securities which derive their value from underlying interest rates, such as interest rate swaps, swap futures, credit spreads, and non-U.S. derivatives.

PIMCO Private Municipal Bond Fund

State of Montana Public Employee Deferred Comp Plan

Summary Information	9/30/2008	12/31/2008
Portfolio Allocation		
Amount (\$MM)	2.1	1.9
Percent of Total Market Value (%)	1.2	1.0
Total Net Assets (\$MM)	321.0	463.4
Quarterly Fund Performance (%)	-9.69	-14.34
Average Quality	A+	AA-
Effective Duration (yrs)	14.2	12.7

Derivatives (% of Duration)	9/30/2008	12/31/2008
Government Futures	0.0	0.0
Money Market Futures	0.0	0.0
Credit Default Swaps ¹	46.5	31.7
Written	46.5	31.7
Purchased	0.0	0.0
Options Premiums	0.0	0.0
Written	0.0	0.0
Purchased	0.0	0.0
Mortgage Backed ²	0.0	0.0
Other ³	-26.2	-0.9



¹ As credit instruments, credit default swaps are shown as a percentage of market value.

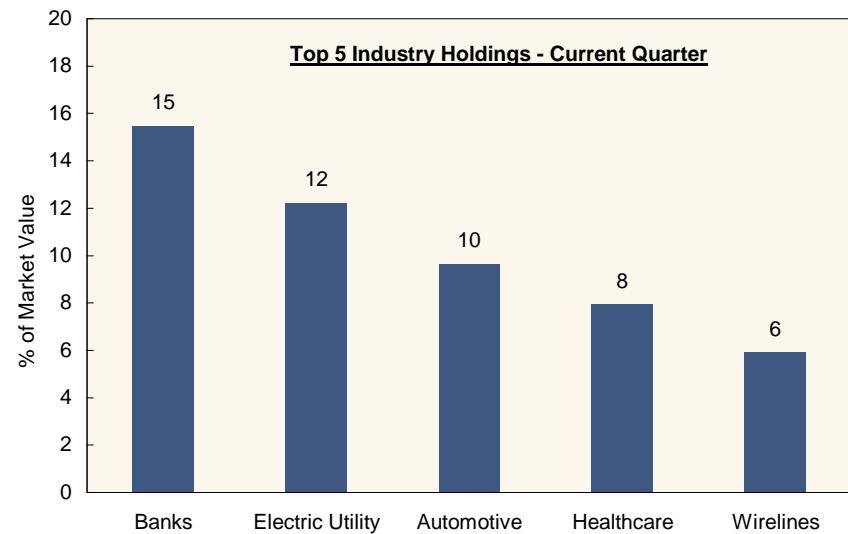
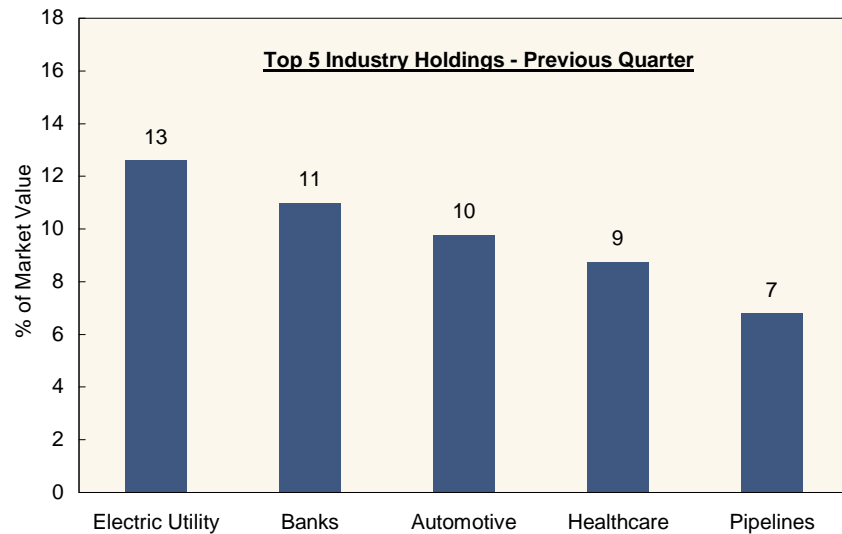
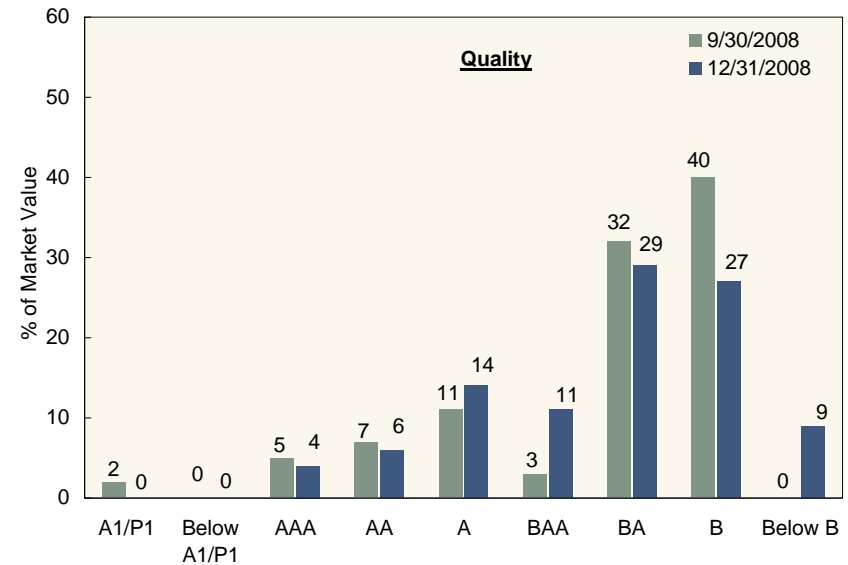
² Securities determined by PIMCO to have potentially less stable duration characteristics, such as: IO & PO Strips, Support-class CMOs, and Inverse Floaters.

³ Category includes securities which derive their value from underlying interest rates, such as interest rate swaps, swap futures, credit spreads, and non-U.S. derivatives.

PIMCO Private High Yield Fund

State of Montana Public Employee Deferred Comp Plan

Summary Information	9/30/2008	12/31/2008
Portfolio Allocation		
Amount (\$MM)	3.8	3.3
Percent of Total Market Value (%)	2.2	1.9
Total Net Assets (\$MM)	705.7	470.4
Quarterly Fund Performance (%)	-11.99	-12.98
Average Quality	BA+	BA+
Effective Maturity (yrs)	6.4	3.1
Effective Duration (yrs)	4.2	0.3
Credit Default Swaps (%)	-1.9	6.7
Written	5.2	6.7
Purchased	-7.0	0.0



PIMCO Private Emerging Markets Bond Fund

State of Montana Public Employee Deferred Comp Plan

	9/30/2008				12/31/2008			
Portfolio Allocation								
Amount (\$MM)	3.4				3.0			
Percent of Total Market Value (%)	1.9				1.7			
Total Net Assets (\$MM)	768.6				755.1			
Quarterly Fund Performance (%)	-6.73				-10.94			
Effective Duration (yrs)	2.4				1.9			
	% of MV Cash Equiv.	% of Market Value Bonds	% of Duration	Net Currency (%)	% of MV Cash Equiv.	% of Market Value Bonds	% of Duration	Net Currency (%)
Brazil	4.30	77.43	87.05	8.09	4.78	47.38	85.88	4.13
Chile	-0.53	0.22	0.51	1.43	0.06	0.21	0.64	0.28
China	-0.10	0.12	0.22	3.63	-0.16	0.05	0.07	17.57
Colombia	0.83	0.10	0.31	0.10	0.82	0.10	0.41	0.10
Egypt	0.00	0.82	0.65	0.00	0.00	0.68	0.63	0.00
El Salvador	0.00	0.48	1.11	0.00	0.00	0.42	1.19	0.00
EM Index Product	0.00	-1.90	0.00	0.00	0.00	-1.67	0.00	0.00
Hungary	-0.01	0.00	0.00	-0.32	-	-	-	-
India	0.00	0.37	0.45	0.00	-0.18	0.34	0.46	0.00
Indonesia	-0.12	2.81	0.00	1.38	-0.25	2.53	-0.03	0.00
Kazakhstan	0.00	0.71	0.93	0.00	0.00	0.54	0.84	0.00
Malaysia	-0.97	0.00	-0.05	13.05	-0.19	0.00	-0.02	0.00
Mexico	9.24	5.61	11.90	5.38	2.05	7.50	24.23	1.46
Panama	0.00	0.01	0.06	0.00	0.00	0.01	0.07	0.00
Peru	0.00	0.16	0.71	0.15	0.00	0.17	1.03	0.16
Philippines	-0.91	0.00	-0.10	12.51	-1.16	0.00	-0.10	0.00
Poland	-0.13	4.11	12.33	5.10	-1.18	0.33	0.77	-1.14
Romania	0.02	0.00	0.00	-2.15	0.19	0.00	0.01	-1.34
Russia	9.28	5.68	3.44	14.41	9.20	5.34	6.51	0.23
South Africa	0.00	2.31	3.81	1.00	-0.01	0.00	0.00	-0.08
Turkey	-0.12	0.00	-0.01	1.18	-0.01	0.00	0.00	-0.07
Ukraine	0.00	2.04	0.04	0.00	0.00	1.37	0.01	0.00
Uruguay	0.00	0.80	1.44	0.29	0.00	0.61	0.74	0.16
Vietnam	0.00	0.07	0.17	0.00	0.00	0.07	0.18	0.00
Developed Markets	0.00	25.53	-24.97	25.38	0.00	45.93	-23.52	4.42
Net Liabilities	-48.26	0.00	0.00	0.00	-25.87	0.00	0.00	0.00
Total Direct Emerging Markets	-27.48	127.48	100.00	90.61	-11.91	111.91	100.00	25.88

Small allocations may round to zero.

